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# The Citizens' Budget

*Fulfilling Commitments to Citizen Priorities*

Affordable Housing, Education, Health, Jobs, Libraries, Youth

District of Columbia  
FY 2007 Budget and Financial Plan

Mayor Anthony A. Williams  
March 21, 2006



# The Citizens' Budget

## Fulfilling Commitments to Citizens

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- The District's economy continues to be strong
- However, this strength does not translate into a budget with expansion of major new programs. As a city we must first fulfill our existing commitments, including:
  - Fiscal responsibility that has led to our strong economy
  - Commitment to tax parity
  - Commitment to finishing what we started
- New programs are in direct response to citizen priorities and goals, such as affordable housing, education, health, jobs, libraries and youth



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*Strong Economic Base*



# Strong Economic Base

## Continued Fiscal Excellence

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- Nine consecutive balanced budgets
- “A” credit rating from major rating agencies: Moody’s, Standard and Poor’s and Fitch
- Accumulated fund balance of more than \$1.5 billion with cash reserves of over \$300 million
- Revenue continues to grow strong despite tax cuts of over \$350 million over last three years



# Strong Economic Base

## Revenues by Source

Revenue Source	FY 2006 Feb-06 Revised Estimate	FY 2007 Feb-06 Original Estimate	Growth FY 2007 over FY 2006
Total Property	1,174,319	1,284,507	9.4%
Total Sales	862,159	915,498	6.2%
Total Income	1,465,320	1,501,580	2.5%
Total Gross Rec.	264,302	267,186	1.1%
<b>Total Other Taxes</b>	<b>344,072</b>	<b>373,210</b>	8.5%
<b>TOTAL TAXES</b>	<b>4,110,172</b>	<b>4,341,981</b>	5.6%
<b>TOTAL NON-TAX</b>	<b>319,847</b>	<b>323,575</b>	1.2%
Lottery/Interfund Transfer	72,000	72,100	0.1%
<b>TOTAL LOCAL FUND REVENUE</b>	<b>4,502,019</b>	<b>4,737,656</b>	5.2%



# Strong Economic Base

## Allocating Reserves to Priorities

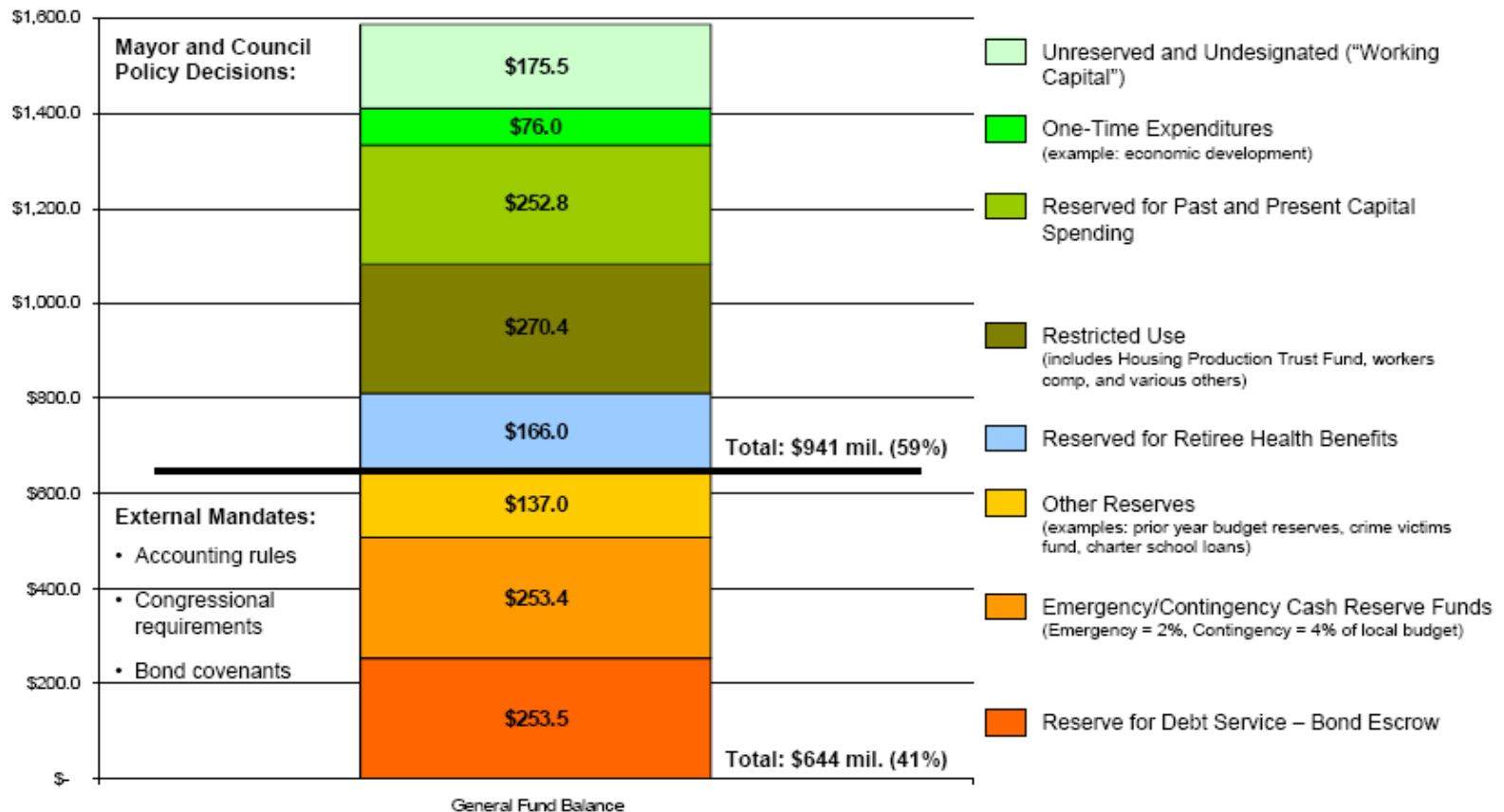
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- The District's fund balance amounted to more than **\$1.5 billion** at the end of FY 2005
  - Rather than continue to accumulate these reserves, the District has begun to invest them in programs and services for residents.
- In FY 2006, the District invested approximately half a billion dollars in responsible one-time uses
- In FY 2007, the District is again allocating resources from this balance pay for programs and initiatives. A total of \$214 million:
  - \$100 million from total unreserved and unallocated fund balance
  - \$50 million from the balances of miscellaneous accounts
  - \$64 million from projected FY 2006 excess resources



# Strong Economic Base

## Allocating Reserves to Priorities



Total as of September 30, 2005: \$1,585 million



# *Fulfilling Commitments*

Fiscal Responsibility • Tax Parity •  
New Communities • Way to Work • Great Streets

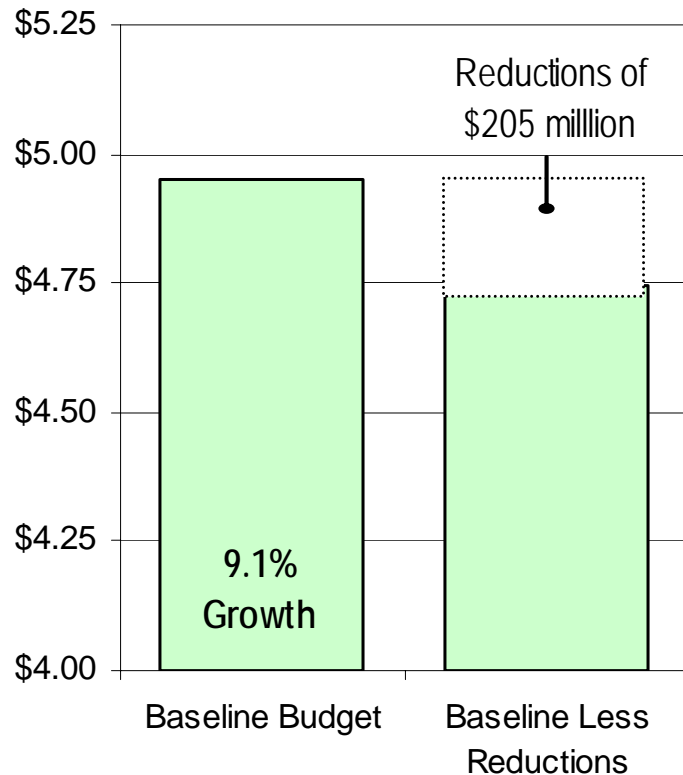




## Fulfilling Commitment to Fiscal Responsibility

# A Critical Examination of Baseline Growth

(Dollars in Billions)



- The FY 2007 baseline budget totals \$4.95 billion, which is \$413 million, or 9.1 percent, above last year's recurring services budget
- This budget includes \$205 million in reductions to control growth in government and allow for additional services.



## Fulfilling Commitment to Fiscal Responsibility

# Understanding Baseline Growth

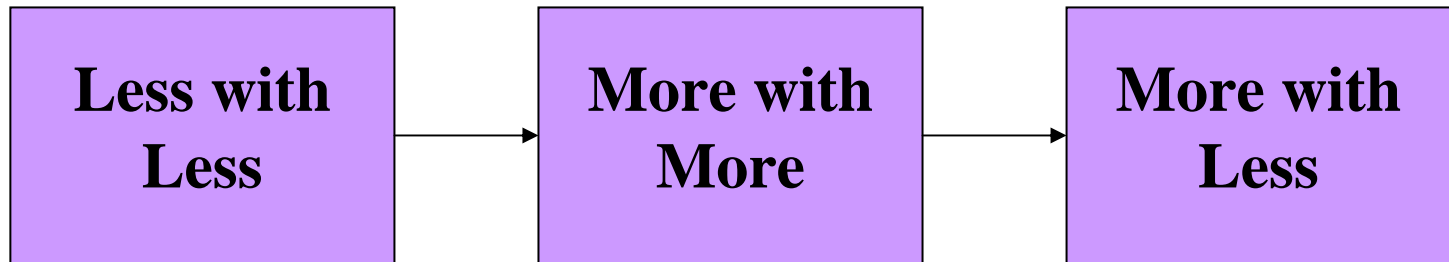
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- Personal services increases reflect the largest portion of baseline growth. Costs are driven by:
  - Implementation of negotiated pay raises
  - Rising costs of pension commitments (police & fire)
- Increases in fixed costs
  - Energy costs have risen dramatically since last year's budget
  - Rent costs continue to rise as the District's real estate market surges
- Increases in human services entitlement costs, such as Medicaid
- Declining federal funding, including housing and human services
- Compliance with court orders associated with mandated costs at DYRS and CFSA



## Fulfilling Commitment to Fiscal Responsibility

# Doing More with Less



How we are doing more with less?

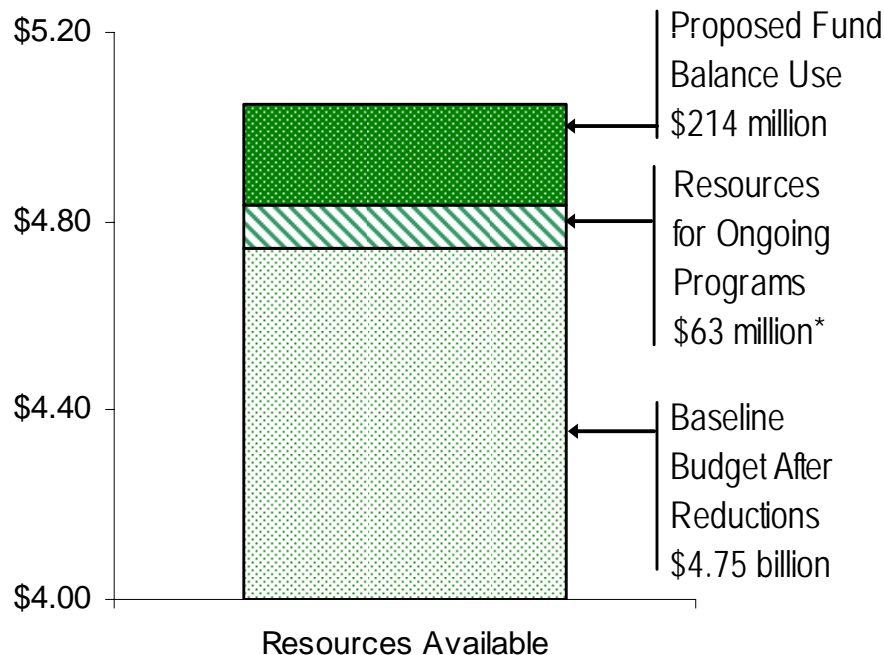
- Managing with data and performance measures, including our director and employee evaluation system;
- Identifying savings in cell phone and telephone expenses to drive down costs;
- Establishing short-term controls on agency rent and relocation decisions;
- Aggressively seeking federal grants to shift costs from local to federal
- As leases expire, we will shift operations to owned space and consolidate operations, lowering costs
- Reducing equipment and supplies budgets across the board to more accurately mirror prior-year expenditure levels
- Examining alternate work schedules as a cost-savings measure



## Fulfilling Commitment to Fiscal Responsibility

# Responsible Resource Allocation

(Dollars in Billions)



*\* This figure nets out new debt service of \$26.6 million from the total funding identified as an ongoing enhancement.*

- Even after baseline reductions, only modest resources are available for new programs
- This budget allocates \$63 million in resources to ongoing programs and \$214 million to one-time programs
- Among one-time programs, \$180 million is devoted to capital programs and \$34 million to operating



## Fulfilling Commitment to Fiscal Responsibility

# Opportunity Enhancements

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- Although this budget takes a fiscally responsible approach to spending, the economy is likely to continue to improve and generate new revenue for additional programs
- Should such revenues materialize as part of the OCFO's May revenue estimate, this budget includes a list of proposed enhancements -- totaling roughly \$70 million -- that will build upon our investments in the following areas:
  - Youth (\$14 million)
  - Education (\$29 million)
  - Safety and Justice (\$6 million)
  - Jobs and Economic Opportunity (\$5 million)
  - Making Government Work (\$7 million)
  - Health (\$9 million)



Fulfilling Commitment to Fiscal Responsibility

# FY 2007 Budget Summary

<i>Summary of Budgeted Funds</i>	Amount	FTEs
Total Budget Including Federal Funds	\$7.50 B	34,519
Local Budget	\$4.95 B	26,723
<i>Budget Growth</i>	% Change	
Local Budget Including Recurring and Non-Recurring Services	( 0.6% )	
Adj. Local Budget Recurring Services Only*	6.6 %	

\* This is a more accurate portrayal of the growth in the budget.



## Fulfilling Commitments to Tax Relief

# Final Phase of Tax Parity

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- This budget implements the final step of tax parity, netting residents \$51 million in FY 2007 and \$64 million during FY 2008 and beyond
- This final phase of tax parity includes reductions for individuals at lower income levels as compared to earlier phases
  - For income from \$0 and \$10,000, rates fall from 4.5% to 4.0%
  - For income from \$10,000 to \$40,000, rates fall from 7.0% to 6.0%
  - For income above \$40,000, rates fall from 8.7% to 8.5%
- Reductions cap a three-year period in which District residents and businesses have benefited from more than \$350 million in tax relief



Fulfilling Commitments to Landmark Initiatives:

# New Communities

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## Accomplishments:

- **Partnered with Northwest One (Sursum Corda) residents** to preserve affordable housing and create opportunities for education, job training, and human services.
- **Developed a Northwest One comprehensive plan** which outlines:
  - Physical redevelopment commitments: 1-for-1 replacement of housing · Right to return or stay · Developing vacant land first · Mixed-income housing · Mixed community uses · Community anchors
  - Human capital commitments: Social supports · Economic self-sufficiency · Expanded adult-based education and workforce training opportunities · Increased programs for children/youth.
- **Requested Council approval to issue \$6 million in bonds** to implement Northwest One strategy.





Fulfilling Commitments to Landmark Initiatives:

# New Communities

Moving Forward with New Communities:

In \$ millions

<b>Investing in human capital and community anchors</b> in Northwest One	<ul style="list-style-type: none"><li>• 4.0 (human capital)</li><li>• 6.0 (Medical Home)</li><li>• 12.0 (Recreation Center)</li><li>• 2.1 NW1 Library planning</li><li>• Future investment by DCPS</li></ul>
<b>Fully implementing NW1 strategy</b>	<ul style="list-style-type: none"><li>• Additional 6.0 securitized from Housing Production Trust Fund</li></ul>
<b>Sustaining economic development and planning efforts</b> for New Communities	<ul style="list-style-type: none"><li>• 1.8 for staffing / supplies</li><li>• 2.3 advisory services</li></ul>
<b>Additional funding to launch New Communities</b> in Lincoln Heights, Barry Farm, and Park Morton	<ul style="list-style-type: none"><li>• 6.0 Lincoln Heights &amp; Barry Farms programming</li><li>• 0.5 Park Morton planning</li></ul>



## Fulfilling Commitments to Landmark Initiatives:

# Great Streets

### Targeted Corridors:

• 7 <sup>th</sup> Street – Georgia Avenue NW	Wards 1, 2, 4	5.6 miles
• H Street NE	Ward 6	1.5 miles
• Benning Road NE	Wards 5, 6, 7	3.5 miles
• Nannie Helen Burroughs Avenue NE	Ward 7	1.5 miles
• Minnesota Avenue NE/SE	Wards 7, 8	3.6 miles
• Pennsylvania Avenue SE	Wards 6, 7, 8	3.5 miles
• MLK Jr. Ave. SE / South Capitol	Ward 8	4.0 miles

### Summary:

- Total distance covers 22.5 miles and over 50 different neighborhoods.
- Approximately 5,000 individual parcels front onto Great Streets.
- About 35%, or approximately 1,750 parcels, are commercial properties.



Fulfilling Commitments to Landmark Initiatives:

# Great Streets

## Moving Forward with Great Streets:

In \$ millions

### **Beginning streetscape enhancements and transportation improvements for:**

Pennsylvania Avenue SE  
MLK Jr. Avenue SE and South Capitol Street  
Minnesota Avenue NE/SE  
Georgia Avenue and 7<sup>th</sup> Street NW

### **Begin design work for:**

Nannie Helen Burroughs NE

- 6.0 construction
- 25.0 bus shelter contract signing bonus (half now, half after Congressional review)

### **Approving economic development funding**

- 2.5 Barracks Row theater
- 16.6 previously approved capital funding



Fulfilling Commitments to Landmark Initiatives:

# Way to Work

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## Accomplishments:

- **Passed Way to Work legislation** to establish a living wage in the District of Columbia, create a job opportunity bank, and strengthen enforcement of First Source hiring laws.
- **Expanded youth employment opportunities** by providing 9,000 summer jobs, creating year-round employment initiatives for residents between ages 16-24, and reinvigorating the Mayor's Youth Leadership Institute.
- **Focused on individuals facing high employment barriers** by investing in pre-apprenticeship training and transitional employment assistance.



Fulfilling Commitments to Landmark Initiatives:

# Way to Work

## Moving Forward with Way to Work:

In \$ millions

<b>Increasing summer jobs</b> for District youth	• 7.7 (10,000 youth)
<b>Providing year-round youth employment</b> for youth who are 16 to 24	• 3.1 (230 youth)
<b>Sustaining commitment to Youth Leadership Institute</b> for youth over 14	• 1.8 (250 youth)
<b>Maintaining support for hard-to-employ individuals</b> who need training, coaching, and education	• 8.4 (600 adults)
<b>Providing pre-apprenticeship training</b> to train residents for skilled trades and crafts	• 0.5 (200 adults)
<b>Strengthening First Source</b> hiring requirements, monitoring and enforcement	• 0.13



# *Targeted Investments in Citizens' Priorities*

Affordable Housing • Education •  
Libraries • Youth Development •  
Health Care • Arts



# Comprehensive Housing Strategy

## Expanding Affordable Housing

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### Mayor's Vision

- To adopt Comprehensive Housing Strategy Task Force recommendations to protect vulnerable populations at risk of losing housing, create housing for working families, and improve coordination of housing policy and investment across District agencies.
- To fund recommendations by raising deed and recordation tax rate from 1.1 to 1.5 percent for residential properties and dedicating these proceeds to a Comprehensive Housing Strategy Fund.



# Comprehensive Housing Strategy

## Expanding Affordable Housing

### Funding the Strategy

In \$ millions

Rental & Emergency Assistance (DCHA, rent subsidy, emergency assistance)	14.0
Workforce Housing (DHCD will also direct \$3 million from other sources, totaling \$9 million)	6.0
Homeless No More	10.0
Mental Health Housing	4.0
New Communities	5.8
<i>Human Capital Plan</i>	4.0
<i>Planning &amp; Economic Development</i>	1.8
Housing Coordinator	0.25
Nexus Study on commercial linkage fee	0.08

\* In addition, this new revenue will generate an additional \$7.1 million for the Housing Production Trust Fund. 24





# Education

## Creating a City of Learning

- This budget includes historic funding for the School Modernization Financing Act of 2006
- School modernization expenses are financed by devoting the first \$100 million in sales taxes to a new school modernization fund
- This new capital funding is complemented by additional capital resources to meet the school system's expected expenditures during FY 2007

### Investments in Capital

In \$ millions

Investing in school facility modernization	<b>223.3</b>
<i>School modernization funding</i>	<i>100.0</i>
<i>General obligation bond financing FY 2007</i>	<i>63.3</i>
<i>Additional funds in FY 2006</i>	<i>60.0</i>



# Education

## Creating a City of Learning

### Operating Budget for DC Public Schools

In \$ millions

Base Funding Level	\$780,555,730
SEO recommended adjustments to funding formula	\$25,135,000
Hold public schools harmless due to declining enrollment resulting from school vouchers	\$4,965,241
<b><i>Total Operating Funding for DCPS</i></b>	<b><i>\$810,655,971</i></b>

### Operating Budget for DC Public Charter Schools

In \$ millions

Base Funding Level*	\$255,190,341
SEO recommended adjustments to funding formula	\$9,675,231
<b><i>Total Operating Funding for DCPCS</i></b>	<b><i>\$264,865,572</i></b>

\* Includes an allowance for historic differential between charter school enrollment projections with actual enrollment



# A 21<sup>st</sup> Century Library System

A Capital Library for a Capital City

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## Mayor's Vision:

- To invest in neighborhood branches and meet the varied and unique community needs regarding public space, library hours, collections, and programming for children and adults.
- To increase availability of technology, information, and services at District public libraries in order to provide residents with access to the Internet and to help address low literacy rates among District residents of all ages.
- To build a new central library that can serve as the hub for a 21<sup>st</sup> century library system and being a destination for residents, scholars, and visitors.
- To build upon the recommendations of the Blue Ribbon Task Force – comprised of national and local experts – as well as a reconstituted Library Board of Trustees to make this vision a reality.



# A 21<sup>st</sup> Century Library System

A Capital Library for a Capital City

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## The Plan for Libraries

In \$ millions

Invest in neighborhood branches to meet the diversity of community needs	14.1 in FY07 <i>151.2</i> <i>(FY 08-12)</i>
Construct a new MLK central library *Financed by lease and PILOT of existing central library as well as federal/private contributions	110.0*
Extend library hours at neighborhood branches	0.75
Expand collections at central library and branches	2.9
Purchase computers, equipment, and furniture for branches	2.0



# Youth Development Strategy

## Positive Choices for Youth

- Funding for the Youth Development Strategy will first and foremost leverage **\$2.2billion** identified in the Children's Budget during FY 2007

### Implementing the Youth Development Strategy

In \$ millions

Use the Children's Budget as a strategic tool for coordinating and evaluating current investments in youth programs and services.	<b>No New Cost</b>
Support direct violence intervention for the city's most at-risk youth	1.0
Sustain current investments such as the truancy diversion program and the school-based mental health program	<b>No New Cost</b>



# Improving Health Outcomes

## Expanding Access to Quality Care

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### Mayor's Vision

- To ensure an adequate distribution of high quality health care providers across the District by investing in primary care, developing an electronic health record system, partnering with Howard University to build a new hospital, providing incentives for health care professionals to work in the District, and increasing funds for uncompensated care.
- To provide health care coverage for low-income residents by expanding Medicaid coverage for children and adding an adult dental benefit to Medicaid.
- To improve management of communicable diseases by investing in rodent abatement; funding prevention for HIV/AIDS, TB and syphilis; and forming an HIV/AIDS Task Force and implementing the Appleseed Report.



# Improving Health Outcomes

## Expanding Access to Quality Care

### The Plan for Improving Health Outcomes

In \$ millions

Medical Homes grant for Northwest One Health Center	6.0
Medical Homes electronic health record system	5.0
National Capital Medical Center	15.0
*Proposed funding: securitization of tobacco settlement funds	212.0*
Health Professionals Loan Repayment Program	0.3
Increased Hospital Uncompensated Care Fund	4.25 (Total 14.0)
Expanded Medicaid coverage for children	2.0 (Total: 4.1)
New Medicaid adult dental benefit	1.7 (Total: 5.6)
Rodent abatement	0.44



# Public Safety and Justice

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- This budget includes the following public safety investments:
  - New stable and dedicated funding for the Office of Unified Communication through additional E-911 Fee. Increase in fee will align the District with surrounding jurisdictions by increasing this fee to \$1.45 per line for all land lines and wireless lines.
  - \$4 million to compensate for the loss of federal grants supporting 81 officers;
  - \$500,000 to continue civilianization, which has already put 26 sworn officers on the street;
  - An additional \$5 million capital investment in the new Consolidated Laboratory Facility, complementing \$800,000 for additional forensics lab services, and
  - \$11 million in rehabilitation and construction of fire houses.





# An Arts and Cultural Endowment

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- A new ongoing arts endowment of \$2 million per year to create a permanent arts presence while promoting equity through competition and accountability.
- Program will expand cultural presence for all residents and visitors while providing an incentive for local artists and arts organizations to remain and thrive in the District.
- Additional earmarked one-time investments in small and large cultural and arts organizations will contribute to the cultural fabric of our community. Organizations receiving funding include:
  - Howard Theater, the Ward 7 Arts Collaborative, the Washington Ballet, the Dance Institute of Washington, the Barracks Row Theater, Arena Stage, the Chinatown Cultural Center, the Gala Theater, the Woolly Mammoth Theater, the Corcoran Gallery of Art, and others.



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# QUESTIONS AND ANSWERS